

Message Text

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67

ACTION ARA-20

INFO OCT-01 ADP-00 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00

EB-11 FRB-02 H-03 INR-10 L-03 LAB-06 NSAE-00 NSC-10

PA-03 RSC-01 AID-20 CIEP-02 SS-15 STR-08 TAR-02

TRSE-00 USIA-12 PRS-01 OMB-01 RSR-01 /154 W

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R 132020Z JUL 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 2819

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PASS USDA/FAS FOR GRAIN & FEED DIV

E.O. 11652: N/A

TAGS: EAGR

SUBJ: NATIONALIZATION BILL

REF: AR 3023 AND AR 3024 TRANSLATIONS OF PROPOSED GRAIN
NATIONALIZATION LAW

1. THE FOLLOWING COMMENTS PERTAIN TO VOLUNTARY REPORT NOS 3023
AND 3024 CONTAINING TRANSLATION OF PROPOSED GRAIN AND MEAT
NATIONALIZATION LAWS.

2. THE PREMATURE DIAGNOSIS THAT ARGENTINA IS UNDERGOING AN
ECONOMIC CRISIS MAY HAVE TEMPTED AUTHORITIES TO APPLY MEASURES

THAT ARE OPPOSITE OF THOSE REALLY REQUIRED TO TAKE FULL ADVANTAGE
OF HIGH INTERNATIONAL AGRICULTURAL PRICES. THESE MEASURES IN
ADDITION TO SEVERE EXCHANGE CONTROLS AND EXPORT TAXES COULD
SEVERELY HANDICAP THE AGRICULTURAL SECTOR, THEREBY CREATING A
DISINCENTIVE TO PRODUCERS. THE GOVERNMENT IN ORDER TO OPERATE
SUCH A STATE-TRADING SYSTEM, MUST INITIALLY FINANCE LOCALLY
WHICH MAY FURTHER INFLATE THE ECONOMY.

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3. TRADERS FEEL THAT THESE MEASURES WILL PROBABLY BE ADOPTED BUT THAT IMPLEMENTATION WILL BE GRADUAL. THE SWITCH TO A STATE-TRADING MAY RESULT IN A FLOW OF FUNDS PROBLEM FOR THE GOVERNMENT DUE TO INITIAL LOSS OF INCOME IT NOW RECEIVES THROUGH EXPORT TAXES. ALSO, GOVERNMENT MAY NOT BE ABLE TO BUY AT A SET PRICE THE HUGE QUANTITIES NECESSARY TO OPERATE SUCH A SYSTEM DUE TO TECHNICAL PROBLEMS OF SERVING FOREIGN COMMERCIAL MARKETS AND DUE TO QUALITY CONTROL PROBLEMS AND INADEQUATE STORAGE FACILITIES.

4. AS PER GRAIN NATIONALIZATION LAW, WHEAT FIRST AND THEN OTHER GRAINS WILL BE PURCHASED BY THE GOVERNMENT AND THEN ISSUED TO PRIVATE TRADERS OR COOPERATIVES WHO HAVE STOCKS AND CAN SERVICE COMMERCIAL MARKETS ON A DAY-TO-DAY BASIS. ALTHOUGH EXPORTERS ARE NOT SURE AS PER THE DEGREE OF GOVERNMENT'S FINAL INFLUENCE IN GRAIN TRADE AND SOME HYPOTHESIZE THAT MORE PRESSURE WILL BE EXERTED TOWARD THE MEAT SECTOR, THE FACT REMAINS THAT GRAIN EXPORTS AS IN 1945-55 WILL BE ASKED TO PROVIDE GREATER SUPPORT TO THE NON-AGRICULTURAL SECTORS. ALSO, GRAIN EXPORTS ARE NOW BEING USED IN A LARGER DEGREE FOR POLITICAL EXPEDIENCIES (I.E. CORN SALE TO CUBA).

5. AS PER ARTICLES 2 AND 3 OF PROPOSED MEAT LAW GOA EXPECTS TO MARKET ABROAD ALL TYPES OF MEAT OR ACT AS A COMPETITIVE ENTITY. BY FIRST USING CAP OR SWIFT FACILITIES (SWIFT IS UNDER STATE CONTROL DUE TO BANKRUPTCY), GOA COULD EVENTUALLY GAIN MONOPOLISTIC CONTROL OF MEAT TRADE.

KREBS

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